DECLASSIFIED EXCISE
VR PET 14 LIBYA
VR PET 6 LIBYA

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ACTION AF-05

INFO OCT-01 SS-20 EUR-12 NSC-10 NSCE-00 E-04 INR-06 CIAE-00
NSAE-00 H-01 L-02 PRS-01 RSR-01 RSC-01 /064 W
058703

P R 191042Z AUG 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 6755
INFO USINT ALGIERS
AMEMBASSY BENGHAZI
AMEMBASSY LONDON
AMEMBASSY PARIS

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 8/7/81
PORTIONS DENIED AS INDICATED

C O N F I D E N T I A L TRIPOLI 1964

LIMDIS

C O R R E C T E D C O P Y (TEXT PARA 7)

AF/N FOR AMBASSADOR PALMER

SUBJ: POSTED PRICE NEGOTIATIONS

REF: TRIPOLI 1940

1. POSTED PRICE OFFERS OF BOTH ESSO AND OCCIDENTAL REJECTED IN WRITING BY MAGHRABI COMMITTEE DURING INFORMAL MEETINGS WITH COMPANIES AUG 16 AND 17, RESPECTIVELY. RESTATED DEMANDS ACCOMPANYING REJECTIONS INDICATE THERE MAY BE SIGNIFICANT DIFFERENCES IN DESIGNS LARG HAS FOR THESE TWO COMPANIES.

2. ESSO WAS TOLD LARG FOUND MERIT IN ESSO PROPOSAL, ESPECIALLY IN RECOGNITION GIVEN TO LIBYA'S LOCATIONAL ADVANTAGE, BUT THAT PRICE INCREASE OF TEN CENTS WAS INADEQUATE AND REVISED OFFER, WHICH ESSO INVITED TO SUBMIT, MUST INCLUDE RETROACTIVITY.

3. FOLLOWING MAGHRABI'S REJECTION, ESSO TEAM, LEAD BY PIERCY, MET WITH DEPUTY PRIME MIN JALLUD AUG 17. JALLUD CONFIRMED REFUSAL OF ESSO OFFER, BUT ADDED TWO SIDES ARE NOW CLOSE. ESSO [redacted] ASKED [redacted] IF 21 CENT PRICE INCREASE

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EQUAL TO ESTIMATED INITIAL IMPACT OF ESSO PACKAGE) WOULD SETTLE ISSUE, AND JALLUD SAID THAT IT WOULD. ESSO NOW IS CHEWING ON THIS ONE. REMAINDER OF LENGTHY MEETING DEVOTED TO ESSO'S EXPLANATION OF ECONOMICS OF LNG PROJECT IN ATTEMPT TO DISPEL JALLUD'S APPARENT MISUNDERSTANDING AND MISINFORMATION SO THAT EXPORT BAN MIGHT BE LIFTED. ESSO BELIEVES IT MADE CONSIDERABLE PROGRESS WITH JALLUD, WHO ASKED FOR DETAILED WRITTEN SUMMARY OF ESSO'S PRESENTATION AND ANOTHER MEETING WITH PIERCY TODAY (AUG 19). ESSO HAS NOT PURSUED ROSSIBILITY OF APPOINTMENT WITH RCC PRESIDENT QADHAFI.

4. OXY WAS GIVEN ROUGHER TREATMENT. MAGHRABI REJECTED PRICE OFFER AS TOO LOW, REFUSED TO CONSIDER CONDITIONS ATTACHED BY OXY, AND DEMANDED RETROACTIVITY. UNLIKE ESSO, WHICH RECEIVED NO DEADLINE, OXY GIVEN UNTIL AUG 20 TO REVISE OFFER. DURING DISCUSSION, MAGHRABI ASSERTED 37 CENT INCREASE WAS MINIMUM HE WOULD RECOMMEND TO RCC-SAME FIGURE HE MENTIONED TO ESSO, BUT NOT TO OXY, IN EARLY JULY (TRIPOLI 1557).

5. OXY DEEPLY DEPRESSED BY COMBINATION OF LATEST PRODUCTION CUT-BACKS (TRIPOLI 1963) AND MAGHRABI'S UNYIELDING ATTITUDE TOWARD ITS PRICE OFFER. OXY PRESIDENT BELLANO AND SENIOR OXY LIBYAN MANAGEMENT ARE IN PARIS TODAY FOR TELECONFERENCE WITH OXY CHAIRMAN HAMMER TO DECIDE ON RESPONSE TO MAKE TOMORROW.

6. COMMENT. [redacted] B4

ESSO IS NOW CONSIDERING HOW MUCH TO ADD TO 10 CENT PRICE COMPONENT OF ITS LAST OFFER TO COME WITHIN THIS RANGE. ITS ASSESSMENT OF TRANSPORTATION OUTLOOK AND PROSPECTS FOR CONTINUING IN BUSINESS IN LIBYA ARE MAIN FACTORS IT IS CONSIDERING. LIFTING OF LNG EXPORT BAN, OR CONCRETE ASSURANCES BAN WILL BE REMOVED, ALSO WOULD INFLUENCE ITS DECISION.

7. WE THINK SITUATION FOR OXY IS MORE COMPLEX AND LESS PROMISING FOR ESCAPE WITH A WHOLE SKIN. [redacted] B4, B1

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